

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
Edward A. Garvey
Marshall Johnson
LeRoy Koppendrayer
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of an Extended Area Service
Petition from the Princeton Exchange to the
Metropolitan Flat Rate Calling Area

ISSUE DATE: February 19, 2002

DOCKET NO. P-404,407,520,405,413,426,
427, 430,421/CP-98-1195

ORDER SETTING EAS ADDITIVES AND
REQUIRING POLLING

PROCEDURAL HISTORY

On August 14, 1998, subscribers in the Princeton exchange filed a petition for extended area service to the Minneapolis/St. Paul Metropolitan Calling Area (MCA). At the time of filing Princeton was being served by U S WEST Communications (now Qwest Corporation) (Qwest). The MCA is served by Bridgewater, Citizens, Eckles, Frontier, Lakedale, Scott-Rice, Sherburne, Sprint and Qwest.¹

On August 15, 1999, the Commission issued an Order finding that the proposed EAS route met the threshold requirements of adjacency and traffic volume. The Commission therefore directed the affected telephone companies to submit cost studies and proposed rates. The Commission would then poll Princeton subscribers to determine if they wanted EAS at those rates.

The companies duly filed their cost studies and proposed rates, but the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law. These issues were largely settled within this time.

¹ Bridge Water Telephone Company, Eckles Telephone Company, Frontier Communications of Minnesota, Inc., Lakedale Telephone Company, Scott-Rice Telephone Company, Sherburne County Rural Telephone Company, Sprint Telephone Company and U S WEST Communications (now Qwest Corporation), respectively.

On May 24, 2001, NorthStar Access, LLC (NorthStar), a competitive local exchange carrier (CLEC) offering local service within the Princeton exchange, filed a Motion to Intervene.

The Commission met on January 22, 2002, to again consider the Princeton EAS petition.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS and the procedures for determining EAS costs were set by Commission Orders (the EAS Orders) following an industry-wide fact-finding and policymaking proceeding.² Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must poll subscribers in the petitioning exchange on whether they want EAS at the rates adopted by the Commission.
- (5) If 50% of the subscribers responding to the poll vote yes, the EAS route must be installed.

In this case the Commission has determined that the petitioning exchange meets the threshold adjacency and traffic volume requirements. What remains is to determine the cost of the proposed routes, to set rates reflecting those costs, and to poll subscribers in the petitioning exchange.

² In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

II. Position of the CLEC in Princeton

A. Background

Princeton is a community with two local service providers: Qwest and NorthStar Access, LLC (NorthStar). NorthStar is a facilities based competitive local exchange carrier (CLEC) offering local service within the Princeton exchange since about mid-1999. NorthStar offers a “MetroConnection” service to its Princeton customers that provides flat rate unlimited calling to the MCA for an added monthly charge of \$18.00. Because Princeton has not had EAS to the MCA, NorthStar has been able to market this optional service to a portion of the Princeton market (those customers with a high level of calling to the MCA).

B. NorthStar’s Comments

NorthStar argued that if a flat rate EAS is authorized, MetroConnection would no longer be unique nor would it be attractive to Princeton customers with a high volume of calling to the MCA. EAS to the MCA would provide Princeton callers to the MCA with a service that would be subsidized by other customers in the Princeton exchange through the recovery of facilities costs and lost access revenue from all Princeton exchange customers.

NorthStar argued that it should be allowed to create options for customers whose calling needs extended beyond the incumbent local exchange carrier’s (ILEC’s) local calling area. Since MCA service is already offered by NorthStar, it argued that there was no compelling reason to offer EAS to the MCA. Rather, individual customers would determine the boundaries of their calling area by choosing the local service provider that offered the customer’s desired calling scope.

Further, it argued that NorthStar’s ability to compete with the incumbent LEC would be greatly undercut if EAS were authorized and such action would discourage further innovation by NorthStar and any other CLEC.

NorthStar’s recommendation was that this EAS petition be suspended. If the Commission goes forward with this EAS petition, NorthStar, at the hearing before the Commission, argued that only Qwest customers should be balloted because only Qwest’s rates would change as a result of an affirmative vote by these customers in the Princeton exchange.

C. Comments of the Minnesota Independent Coalition (MIC)

MIC stated its concern with the adverse competitive impact of providing EAS in Princeton. It argued that a CLEC (NorthStar) was already providing a flat rate MCA calling plan in Princeton, which would be supplanted by EAS under any pricing arrangement. NorthStar would lose a key marketing tool because residents within the Princeton exchange would now receive the same extended calling area from Qwest at a lower rate.

D. Commission Action

The Commission recognizes that the subscribers who signed this petition were relying on the rights set forth in the generic EAS Orders,³ under which they filed in good faith. Since February 1996, the Commission has applied the standards set forth in those Orders in all of the numerous EAS cases that have come before it, except for the deviation on the issue of transfer payments, which the Commission found violated public policies it was charged with upholding.

If the Commission rejects the EAS petition because of the presence of a competitor, the consistency that the Commission has strived for in determining EAS availability would be undermined and petitioners would no longer know what filing an EAS petition meant. Further, the Commission would be in the position of having to consider every EAS permutation proposed by companies, petitioners, or other stakeholders in individual cases. For these reasons, the Commission will not deny the EAS petition but rather will go forward with setting rates for polling.

Further, based on the unique circumstances of this case, and the understanding that NorthStar's customers already have an option regarding their calling area preference and that only Qwest's rates would change as a result of an affirmative vote, the Commission will direct that only Qwest's customers be polled.

III. EAS Rate Additives Set

The companies' final cost studies pass muster under the standards set in the EAS Orders. They reflect actual, specific costs and sound accounting methods. They will be accepted.

The rates based on these cost studies must be adjusted, however, because they reflect the former practice of pooling the total costs of proposed EAS routes and allocating those costs between affected exchanges and companies. While this practice was reasonable and equitable in a monopoly environment, the Commission has found that it is so anti-competitive in its potential effects that it cannot be permitted in the current, competitive environment.⁴ (The exception is School District EAS cases, where the Legislature has required inter-exchange cost-allocation to further overriding public policy goals.)

³ See Footnote 2, *supra*.

⁴ In the Matter of a Petition for Extended Area Service from the Almelund Exchange to the Metropolitan Calling Area, Docket No. P-407, 405, 413, 520, 426, 427, 430, 421/CP-97-1237, ORDER AFTER RECONSIDERATION (November 6, 2000), *reversed in part on the Commission's own motion as to other issues*; In the Matter of a Petition for Extended Area Service from the Osakis Exchange to the Alexandria Exchange, Docket No. 552, 430/CP-98-1148, ORDER ESTABLISHING RATE ADDITIVES AND REQUIRING FURTHER FILINGS (November 6, 2000), *reversed on reconsideration as to other issues*.

These adjustments yield the rates set forth below:

EAS Rates for Balloting the Princeton Exchange (QWEST)⁵

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Residence - Flat	\$3.07	\$0.90	\$3.97
Business - Flat	\$7.59	\$2.24	\$9.83
Public/Semi-Public Coin	\$7.59	\$2.24	\$9.83
PBX Trunks	\$7.97	\$2.36	\$10.33
Centrex/Centron	\$7.97	\$2.36	\$10.33

Bridgewater

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Monticello			
Res One Party	\$0.00	\$0.14	\$0.14
Bus One Party	\$0.00	\$0.22	\$0.22
PBX Trunk	\$0.00	\$0.35	\$0.35
Key	\$0.00	\$0.23	\$0.23
Centrex	\$0.00	\$0.23	\$0.23
Enfield			
Res One Party	\$0.00	\$0.14	\$0.14
Bus One Party	\$0.00	\$0.23	\$0.23
PBX Trunk	\$0.00	\$0.36	\$0.36
Key	\$0.00	\$0.24	\$0.24
Centrex	\$0.00	\$0.23	\$0.23

Citizens

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Res One Party	\$0.01	\$0.02	\$0.03
Bus One Party	\$0.02	\$0.03	\$0.05

⁵ These EAS rates would be in addition to customer's current monthly local rates of \$13.96 (residence) and \$34.61 (business).

Eckles

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Res One Party-Town	\$0.00	\$0.01	\$0.01
Res One Party -Rural	\$0.00	\$0.01	\$0.01
Bus One Party-Town	\$0.00	\$0.02	\$0.02
Bus One Party-Rural	\$0.00	\$0.02	\$0.02
Key-Town	\$0.00	\$0.02	\$0.02
Key-Rural	\$0.00	\$0.02	\$0.02
PBX-Analog	\$0.00	\$0.03	\$0.03
PBX-Digital	\$0.00	\$0.01	\$0.01
Payphones	\$0.00	\$0.01	\$0.01

Frontier

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Res One Party	\$0.00	\$0.01	\$0.01
Bus One Party	\$0.00	\$0.02	\$0.02
Key Trunk	\$0.00	\$0.02	\$0.02
PBX Trunk	\$0.00	\$0.03	\$0.02
School One Party	\$0.00	\$0.02	\$0.02
School Key Trunk	\$0.00	\$0.02	\$0.02
School PBX Trunk	\$0.00	\$0.02	\$0.02
Versaline M to M	\$0.00	\$0.02	\$0.02
Versa One-Year	\$0.00	\$0.02	\$0.02
Versa Two-Year	\$0.00	\$0.02	\$0.02
Versa Three-Year	\$0.00	\$0.01	\$0.01

Lakedale

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Montrose			
Res One Party	\$0.00	\$0.08	\$0.08
Bus One Party	\$0.00	\$0.08	\$0.08
Waverly			
Res One Party	\$0.00	\$0.08	\$0.08
Bus One Party	\$0.00	\$0.08	\$0.08
Payphones	\$0.00	\$0.08	\$0.08

Scott-Rice

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Prior Lake			
Res One Party	\$0.00	\$0.01	\$0.01
Bus One Party	\$0.00	\$0.03	\$0.03
New Market			
Res One Party	\$0.00	\$0.01	\$0.01
Bus One Party	\$0.00	\$0.03	\$0.03
Webster			
Res One Party	\$0.00	\$0.01	\$0.01
Res One Party FX	\$0.00	\$0.02	\$0.02
Bus One Party	\$0.00	\$0.02	\$0.02
Bus One Party FX	\$0.00	\$0.03	\$0.03

Sherburne

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Zimmerman			
Res One Party	\$0.05	\$0.30	\$0.35
Bus One Party	\$0.09	\$0.53	\$0.62
Payphones	\$0.09	\$0.53	\$0.62
Big Lake			
Res One Party	\$0.05	\$0.30	\$0.35
Bus One Party	\$0.09	\$0.53	\$0.62
Payphones	\$0.09	\$0.53	\$0.62

Sprint

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Res One Party	\$0.01	\$0.02	\$0.03
Bus One Party	\$0.02	\$0.03	\$0.05

QWEST

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Residence - Flat	\$0.01	\$0.00	\$0.01
Business - Flat	\$0.03	\$0.01	\$0.04
PBX Trunks	\$0.03	\$0.01	\$0.04
Centrex	\$0.04	\$0.01	\$0.05
Centron	\$0.04	\$0.01	\$0.05
Public/Semi-Public			
Coin	\$0.04	\$0.01	\$0.05

IV. Lower Cost Option for Princeton Subscribers

The Commission generally affords subscribers in exchanges that petition for EAS to the MCA a lower cost option to the flat-rate EAS rates.⁶ In this case the Commission will approve Qwest's Metro Measured Service rates as the lower cost option for subscribers in Princeton. The lower cost option is set forth below:

Princeton Exchange Lower Cost Option

Residential Measured	\$9.70
Business Measured	\$29.91

In addition customers would pay \$0.05 for the initial minute and \$0.01 for each additional minute.

V. Polling Ordered

The last step in the EAS decision-making process is to poll subscribers in the petitioning exchange to determine if the majority favors installing EAS at the rates set by the Commission. The Commission will proceed to polling. It will also direct Citizens, the carrier serving the petitioning exchange, to provide the information and cooperation required for a fair and efficient poll.

Finally, the Commission will require that both the polling materials sent to subscribers and any tariffs ultimately filed itemize separately the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues and lost toll contribution. This information may be helpful in developing and implementing a universal service funding mechanism or in future rate re-balancing initiatives. To ease administration and prevent confusion, however, monthly bills should show only the total EAS rate.

⁶ See February 23, 1996, ORDER AFTER RECONSIDERATION, Docket No. P999/CI-94-296, *In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994)*.

The Commission will so order.

ORDER

1. The final cost studies filed by Bridgewater, Citizens, Eckles, Frontier, Lakedale, Scott-Rice, Sherburne, Sprint and Qwest are hereby accepted and approved.
2. Qwest subscribers in the Princeton exchange shall be polled on whether they favor installing the EAS routes proposed at the rates approved herein, which are shown below:

EAS Rates for Balloting the Princeton Exchange (QWEST)

Customer Class	Facilities-Based EAS Rate	Recovery of Lost Access/Toll Contribution	Monthly EAS Rate
Residence - Flat	\$3.07	\$0.90	\$3.97
Business - Flat	\$7.59	\$2.24	\$9.83
Public/Semi-Public	\$7.59	\$2.24	\$9.83
Coin			
PBX Trunks	\$7.97	\$2.36	\$10.33
Centrex/Centron	\$7.97	\$2.36	\$10.33

3. The rate additives for Bridgewater, Citizens, Eckles, Frontier, Lakedale, Scott-Rice, Sherburne, Sprint, and Qwest, as set forth in Section II herein, are hereby approved.
4. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs and which portion will recover lost access revenues and toll contribution. The EAS rate additives shall not be itemized on customers' bills.
5. Qwest's Metro Measured Service rates, as set forth in Section IV herein, are hereby approved as the lower cost option to the Princeton subscribers.
6. Qwest shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;
 - (b) providing proof of the accuracy of customer lists as requested by Commission staff.

7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).